

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

COUNTRY USSR/Germany (Soviet Zone)
SUBJECT Currency and government bonds

SECRET

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2. Silver rubles, half rubles, nickel and copper small change were abundant in the Soviet Union prior to World War II. During the war all silver coins were withdrawn from circulation. Moreover, due to the inflationary rise in prices during the war all outstanding small change had a limited use only. It was mainly confined to the trade in the stores which sold rationed goods. The same conditions prevailed during the years immediately following World War II. At the time of the monetary reform of 1947 the bulk of the metallic currency was held by banks, a situation which eliminated to a large extent opportunities for speculation by individuals. During the 1947 reform all old paper currency was exchanged for new at the rate of ten old rubles for one new one, while metallic currency remained at the rate of one for one.
3. Immediately following World War II, paper rubles were freely circulated in Poland and East Germany, where they were preferred by the population to local currencies. After the 1947 monetary reform, however, export and import of Soviet currency from and into the Soviet Union was forbidden entirely. The same regulation applied to all foreign currency (either of the Western Countries or the satellites). In order to prevent smuggling, all persons (including Soviet personnel on official business) were searched at the border. Every official transferred to East Germany for the first time was given a sum of money in marks for his immediate expenses. In our case it was 200 marks apiece. No provisions nor facilities, however, were made for exchange of currency for subsequent travels even when in a official capacity. For example, returning to Germany from official business in Moscow, I had to spend all my ruble holdings prior to boarding the plane. Upon arrival in

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Berlin, I was forced to leave my baggage with the taxi driver until able to borrow from a friend some marks to pay for transportation. All currency found on the person traveling to or from Soviet Union was confiscated by the customs.

4. Gold and silver products were easily obtainable on the Soviet black market during and after World War II. They also could be freely bought in Government stores but at prices far in excess of the black market. When sold to government stores, however, the prices were far below those prevailing on the black market.
5. We bought government bonds during the loan drives. We considered these loans almost tantamount to a tax, partly because strong social and political pressures were applied during the drives, and especially because the government reserved the right to change the conditions of the loan without prior knowledge or approval of bondholders. Such changes in conditions of the loans have taken place several times. At one time the period of the loan was extended; at another, interest was lowered and finally in 1947 even the face value of the bonds was changed. We did not personally know anyone who was ever penalized for refusing to purchase his quota. We did, however, know of several individuals who questioned the quota assigned them by the factory in which they worked. It appeared that in that case Pravda and Izvestia had announced that subscriptions should equal about three weeks of pay, while the factory bond committee insisted on four weeks' pay contribution. Although in the final analysis these people purchased bonds to the extent of four weeks pay, all those who questioned the quota had their names made public on a bulletin board in the factory as having been reluctant to buy government bonds. No further disciplinary action, however, was taken against them. Despite the fact that no serious disciplinary actions were taken for refusal to purchase bonds, "everybody bought them."
6. Government bonds sold during the annual loan drives (1945-1947) could be purchased from holders a few days after the bond drive at about 5% of their face value. Thus they are considered by most of the purchasers as a form of tax. We do not know why the government used bonds and not a tax for revenue purposes, except that bonds may have been a form of both internal and external propaganda. Prior to the war these bonds could be used as collateral for personal loans from savings banks to the extent of 30% of the face value. The full amount of savings on a loan held as collateral could be determined by the bank. The bank holding a bond as collateral in case of a lottery winning was entitled to hold the prize to the full extent. Since collateral could be forfeited, the practice of returning bonds to the bank in exchange for loans became widespread. For this reason the privilege of borrowing was later confined only to hardship cases (loss of property by fire, illness, etc.), subject to certification and approval by the trade unions. During the war the privilege to use bonds as collateral was withdrawn entirely, but was reinstated after the war, for hardship cases only. The bonds could be kept in savings banks for a charge of ten kopeks for all bonds of one series, in which case the bank promised to check the announcements of the lottery drawings and notify the owners. No bonds could be exported from the Soviet Union, and all the Soviet personnel outside the Soviet Union deposited bonds with a bank of their choice. The lotteries did actually take place twice a year, and we personally knew several individuals who won prizes. One of these received as much as 10,000 rubles on his 100 ruble bond.
7. One of the features of Soviet bonds was an annual "tirage" or drawing which determined the bonds to be refunded in that year. Results of such "tirages" were periodically published in newspapers, and we knew several individuals who had their bonds refunded to them in this manner at their face value. We believe, in general, that replacement of interest by prizes was welcomed by the general public.

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8. In addition to government bonds sold during the bond drives, there existed in the Soviet Union a loan, generally known as a "gold loan". The bondholders of this loan also participated in special drawings and won prizes. Originally issued in 1938 it was converted in 1947 into a "special" loan. Unlike the bonds bought during the bond drives, bonds of the "gold loan" had to be purchased with cash. Their distinct feature was that they were freely redeemable in the government savings banks at face value. The effective value of these bonds fluctuated prior to 1947 depending on the date of the lottery drawings. As the date of lottery approached, the effective value of the bonds rose and within few weeks prior to the lottery date the savings banks were selling these bonds at a two-three rubles premium. We did not hold any of these bonds because we were not interested in speculation. (Actually there was no speculation involved, the two-three ruble premium payment for a bond was nothing else but a payment for the right to participate in the lottery. By charging premiums for the purchase of the bonds the Soviet government partially offset the cost of the lottery and the cost of prizes it had to pay to the winners).
9. There were two forms in which an individual in the Soviet Union could hold his savings: (1) savings banks which paid three or two percent interest, (2) the "gold loan", which gave a right to participate in a lottery and did not pay any interest, but preserved it face value. We held all of our savings in the form of savings deposits. We doubt that anyone could live off the interest payments on his savings in the Soviet Union. We think, however, that it was not entirely improbable that some of the higher income individuals (Such as authors, artists and government officials), who could be counted on one's fingers, conceivably lived off the interest payments.
10. Government bond drives extended to Soviet personnel outside the Soviet Union. Monthly deductions from the ruble portion of the wages (Soviet personnel in Germany were paid partially in rubles which were deposited in the Soviet Union in the name of the payee, and partially in German marks) were used to purchase bonds deposited in the purchaser's name in Soviet savings banks within the USSR. These arrangements were made by the employing organization.

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